

**SPRINGFIELD TOWNSHIP, KALKASKA COUNTY**

**FIFE LAKE, MICHIGAN**

**MARCH 31, 2008**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

MARCH 31, 2008

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

June 19, 2008

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Springfield Township  
Kalkaska County  
Fife Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township, Kalkaska County, Fife Lake, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township, Kalkaska County, Fife Lake, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on pages 20-21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springfield Township, Kalkaska County, Fife Lake, Michigan's basic financial statements. The individual fund financial statement is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Springfield Township, a general law township located in Kalkaska County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Springfield Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008, along with specific comparative information as required.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$648,864. Of this amount, \$144,303 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$478,524. Of the total amount, \$132,485 is available for spending at the Township's discretion.
- ◆ The Township's total debt decreased by \$5,618 during the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township were \$648,864 at March 31, 2008, meaning the Township’s assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Springfield Township**  
**Net Assets as of March 31,**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current Assets	\$ 486,499	\$ 415,477
Non Current Assets		
Capital Assets	195,575	151,642
Less: Accumulated Depreciation	<u>(25,235)</u>	<u>(20,200)</u>
Total Non Current Assets	<u>170,340</u>	<u>131,442</u>
<b>Total Assets</b>	<u><u>\$ 656,839</u></u>	<u><u>\$ 546,919</u></u>
<b>Liabilities</b>		
Current Liabilities	<u>\$ 7,975</u>	<u>\$ 18,030</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net Related Debt	170,340	125,824
Restricted for Specific Purposes	334,221	265,187
Unrestricted	<u>144,303</u>	<u>137,879</u>
<b>Total Net Assets</b>	<u>648,864</u>	<u>528,890</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 656,839</u></u>	<u><u>\$ 546,920</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$144,303 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$119,975 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Springfield Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31,**

	<u>2008</u>	<u>2007</u>
<b><u>Revenues</u></b>		
<b>Program Revenues</b>		
Charges for Services	\$ 5,501	\$ 6,038
Operating Grants and Contributions	16,027	15,894
<b>General Revenues</b>		
Property Taxes	217,913	190,598
State Grants	86,590	87,017
Interest Earnings	10,727	7,300
Other	20,787	1,160
<b>Total Revenues</b>	<u>357,545</u>	<u>308,007</u>
<b><u>Expenses</u></b>		
Legislative	16,116	13,553
General Government	94,658	93,487
Public Safety	36,375	29,481
Public Works	17,503	47,727
Health and Welfare	40,439	37,537
Recreational and Cultural	21,649	13,696
Other Functions	10,795	9,538
Interest on Long-Term Debt	35	662
<b>Total Expenses</b>	<u>237,570</u>	<u>245,681</u>
Change in Net Assets	119,975	62,326
<b><u>NET ASSETS</u></b> - Beginning of Year	<u>528,889</u>	<u>466,563</u>
<b><u>NET ASSETS</u></b> - End of Year	<u>\$ 648,864</u>	<u>\$ 528,889</u>

**Governmental Activities**

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$119,975 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.



SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

The most significant part of the revenue for all governmental activities of Springfield Township comes from property taxes. The Township levied 1.0000 mills for operating purposes. In addition, the Township levied 1.0000 mills for fire protection and ambulance service and 1.9282 mills for street improvements.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general government expenses that total \$94,658. Health and Welfare represented the next largest expense at \$40,439.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Springfield Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Springfield Township's governmental funds reported combined ending fund balances of \$478,524. Of this amount \$132,485 constitutes unreserved fund balance. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

**General Fund** – The General Fund decreased its fund balance by (\$3,606) which brings the fund balance to \$132,485. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Tax related revenues amounted to \$60,544. State grants were collected in the amount of \$86,590.

**Municipal Street Fund** – The Municipal Street Fund increased its fund balance by \$50,764 which brings the fund balance to \$221,784. This balance is restricted and must be used for street improvements. Property taxes amounted to \$77,249.

**Fire Fund** – The Fire Fund increased its fund balance by \$9,868 which brings the fund balance to \$91,047. This balance is restricted and must be used for fire protection. Property taxes amounted to \$40,060.

**Park and Recreation Fund** – The Park and Recreation Fund increased its fund balance by \$10,031 which brings the fund balance to \$11,818. This balance is reserved and must be used for parks and recreation.

**Ambulance Fund** – The Ambulance Fund's fund balance remained the same at \$0. Property taxes amounted to \$40,060. Expenditures for contracted ambulance protection services amounted to \$40,060.

**Aquatic Weed Control Fund** – The Aquatic Weed Control Fund increased its fund balance by \$8,402 which brings the fund balance to \$21,390. This balance is restricted and must be used for weed control. Special assessments amounted to \$16,553.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental as of March 31, 2008, amounted to \$170,340 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$2,500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Springfield Township**  
**Capital Assets as of March 31,**

	<u>2008</u>	<u>2007</u>
Land	\$ 14,886	\$ 14,886
Buildings	141,555	131,756
Infrastructure	34,134	0
Equipment	<u>5,000</u>	<u>5,000</u>
	195,575	151,642
Less: Accumulated Depreciation	<u>(25,235)</u>	<u>(20,200)</u>
<b>Net Capital Assets</b>	<u><u>\$ 170,340</u></u>	<u><u>\$ 131,442</u></u>

Major capital asset events during the current fiscal year included the following:

- A new building was constructed in the cemetery at a cost of \$9,799.
- Improvements were completed to Caster Road at a cost of \$34,134.

**Long-Term Debt.** At the end of the current fiscal year, the Township did not have any outstanding debt. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Springfield Township at 5253 Ingersoll Road SW, Fife Lake, Michigan 49633.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 423,757
Receivables	
Taxes	35,345
Special Assessments	382
Intergovernmental	20,212
External Party (Fiduciary Fund)	6,803
Total Current Assets	<u>486,499</u>
<u>CAPITAL ASSETS</u>	
Land	14,886
Buildings	141,555
Infrastructure	34,134
Equipment	5,000
	<u>195,575</u>
Less Accumulated Depreciation	25,235
Net Capital Assets	<u>170,340</u>
Total Assets	<u>656,839</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	803
Due to Other Governments	7,172
Total Current Liabilities	<u>7,975</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	170,340
Restricted for Street Improvement	221,784
Restricted for Fire Protection	91,047
Restricted for Aquatic Weed Control	21,390
Unrestricted	144,303
TOTAL NET ASSETS	<u>\$ 648,864</u>

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL
					GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 16,116	\$ 0	\$ 0	\$ 0	\$ (16,116)
General Government	94,658	5,501	0	0	(89,157)
Public Safety	36,375	0	0	0	(36,375)
Public Works	17,503	0	2,892	0	(14,611)
Health and Welfare	40,439	0	0	0	(40,439)
Recreation and Cultural	21,649	0	13,135	0	(8,514)
Other Functions	10,795	0	0	0	(10,795)
Interest on Long-Term Debt	35	0	0	0	(35)
Total Governmental Activities	\$ 237,570	\$ 5,501	\$ 16,027	\$ 0	(216,042)

GENERAL REVENUES

Property Taxes	217,913
State Grants	86,590
Interest Earnings	10,727
Other	20,787
Total General Revenues	336,017
Change in Net Assets	119,975
<u>NET ASSETS</u> - Beginning of Year	528,889
<u>NET ASSETS</u> - End of Year	\$ 648,864

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
MARCH 31, 2008

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND
<u>ASSETS</u>			
Cash	\$ 99,101	\$ 207,955	\$ 83,875
Taxes Receivable	7,172	13,829	7,172
Special Assessments Receivable	0	0	0
Due from Other Governments	20,212	0	0
Due from Other Funds	6,803	0	0
TOTAL ASSETS	\$ 133,288	\$ 221,784	\$ 91,047
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 803	\$ 0	\$ 0
Due to Other Governments	0	0	0
Total Liabilities	803	0	0
<u>FUND BALANCE</u>			
Reserved for:			
Street Improvements	0	221,784	0
Fire Protection	0	0	91,047
Parks and Recreation	0	0	0
Aquatic Weed Control	0	0	0
Unreserved			
Undesignated	132,485	0	0
Total Fund Balance	132,485	221,784	91,047
TOTAL LIABILITIES AND FUND BALANCE	\$ 133,288	\$ 221,784	\$ 91,047

The accompanying notes are an integral part of the financial statements.

PARK AND RECREATION FUND	AMBULANCE FUND	AQUATIC WEED CONTROL FUND	TOTALS
\$ 11,818	\$ 0	\$ 21,008	\$ 423,757
0	7,172	0	35,345
0	0	382	382
0	0	0	20,212
0	0	0	6,803
\$ 11,818	\$ 7,172	\$ 21,390	\$ 486,499

\$ 0	\$ 0	\$ 0	\$ 803
0	7,172	0	7,172
0	7,172	0	7,975

0	0	0	221,784
0	0	0	91,047
11,818	0	0	11,818
0	0	21,390	21,390
0	0	0	132,485
11,818	0	21,390	478,524
\$ 11,818	\$ 7,172	\$ 21,390	\$ 486,499

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$ 478,524
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land	\$ 14,886	
Buildings	141,555	
Infrastructure	34,134	
Equipment	5,000	
Accumulated Depreciation	(25,235)	170,340
		<hr/>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 648,864</u>
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The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY

FIFE LAKE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND
<u>REVENUES</u>			
Taxes	\$ 60,544	\$ 77,249	\$ 40,060
Licenses and Permits	1,268	0	0
State Grants	86,590	2,892	0
Charges for Services	6,112	0	0
Interest and Rents	3,977	6,649	0
Other Revenues	2,355	0	0
Total Revenues	160,846	86,790	40,060
<u>EXPENDITURES</u>			
Legislative	16,116	0	0
General Government	100,745	0	0
Public Safety	6,183	0	30,192
Public Works	8,623	42,161	0
Health and Welfare	379	0	0
Recreation and Cultural	9,823	0	0
Other Functions	10,795	0	0
Debt Service			
Principal	5,618	0	0
Interest	35	0	0
Total Expenditures	158,317	42,161	30,192
Excess (Deficiency) of Revenues Over Expenditures	2,529	44,629	9,868
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	6,135	0
Transfers (Out)	(6,135)	0	0
Total Other Financing Sources (Uses)	(6,135)	6,135	0
Net Change in Fund Balance	(3,606)	50,764	9,868
<u>FUND BALANCE</u> - Beginning of Year	136,091	171,020	81,179
<u>FUND BALANCE</u> - End of Year	\$ 132,485	\$ 221,784	\$ 91,047

The accompanying notes are an integral part of the financial statements.



PARK AND RECREATION FUND	AMBULANCE FUND	AQUATIC WEED CONTROL FUND	TOTALS
\$ 0	\$ 40,060	\$ 0	\$ 217,913
0	0	0	1,268
0	0	0	89,482
0	0	0	6,112
101	0	0	10,727
13,135	0	16,553	32,043
13,236	40,060	16,553	357,545
0	0	0	16,116
0	0	0	100,745
0	0	0	36,375
0	0	0	50,784
0	40,060	0	40,439
3,205	0	8,151	21,179
0	0	0	10,795
0	0	0	5,618
0	0	0	35
3,205	40,060	8,151	282,086
10,031	0	8,402	75,459
0	0	0	6,135
0	0	0	(6,135)
0	0	0	0
10,031	0	8,402	75,459
1,787	0	12,988	403,065
\$ 11,818	\$ 0	\$ 21,390	\$ 478,524

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 75,459
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(5,035)
Capital Outlay	43,933
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	<u>5,618</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 119,975</u></u>

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MARCH 31, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$          6,803</u>
<u>LIABILITIES</u>	
Due to Other Funds	<u>\$          6,803</u>

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Springfield Township is a general law township located in Kalkaska County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Springfield Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditure for street improvements.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Park and Recreation Fund* accounts for revenue sources that are reserved to expenditures for parks and recreation.

The *Ambulance Fund* accounts for revenue sources that are restricted to expenditures for ambulance service.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
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The *Aquatic Weed Control Fund* accounts for revenue sources that are reserved for expenditures for aquatic weed control.

Additionally Springfield Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition. The Township investment policy authorizes the Township treasurer to invest Township funds in deposit accounts, savings accounts and certificates of deposit.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
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for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Springfield Township totaled \$40,061,587, on which ad valorem taxes levied consisted of 1.0000 mills for Springfield Township operating purposes, 1.9282 mills for Springfield Township street improvement, and 1.0000 mills for Springfield Township fire protection, and 1.0000 mills for Springfield Township ambulance service. These levies raised \$40,060 for operating purposes, \$40,060 for fire protection, \$77,249 for street improvement, and \$40,060 for ambulance protection.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40-60
Building Improvements	15-30
Vehicles	3-5
Office Equipment	3-5
Computer Equipment	3-5

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 27, 2007 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. *Major Funds with Expenditures in Excess of Appropriations Were As Follows:***

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
Ambulance Fund	\$ 39,000	\$	40,060



SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are on deposit with Citizens Bank in Flint, Michigan and Forest Area Federal Credit Union in Fife Lake, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, \$150,034 of the government's bank balance of \$432,220 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General	Municipal Street	Fire	Ambulance	Aquatic Weed Control	Total
Receivables						
Taxes	\$ 7,172	\$ 13,829	\$7,172	\$ 7,172	\$ 0	\$ 35,345
Special Assessments	0	0	0	0	382	382
Due from Other Governments	20,212	0	0	0	0	20,212
Total	\$ 27,384	\$ 13,829	\$7,172	\$ 7,172	\$ 382	\$ 55,939

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nill.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 14,886	\$ 0	\$ 0	\$ 14,886
Capital assets, being depreciated				
Buildings	131,756	9,799	0	141,555
Infrastructure	0	34,134	0	34,134
Equipment	5,000	0	0	5,000
Total capital assets, being depreciated	136,756	43,933	0	180,689
Less accumulated depreciation for:				
Buildings	18,950	3,182	0	22,132
Infrastructure	0	853	0	853
Equipment	1,250	1,000	0	2,250
Total accumulated depreciation	20,200	5,035	0	25,235
Total capital assets, being depreciated, net	116,556	38,898	0	155,454
Governmental activities capital assets, net	\$ 131,442	\$ 38,898	\$ 0	\$ 170,340

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 3,712
Public Works	853
Recreation and Culture	470
	<hr/>
Total depreciation expenses - governmental activities	<u>\$ 5,035</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2008.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2008, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 6,803	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	6,803
	<hr/>	<hr/>
	<u>\$ 6,803</u>	<u>\$ 6,803</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Municipal Street</u>	<u>Total</u>
Transfer Out:			
General Fund	\$ 0	\$ 6,135	\$ 6,135
Municipal Street Fund	6,135	0	6,135
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 6,135</u>	<u>\$ 6,135</u>	<u>\$ 12,270</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**E. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township of Springfield for the year ended March 31, 2008:

	<u>LOANS</u>
Long-Term Debt Payable	
At April 1, 2007	\$ 5,618
New Debt Incurred	0
Payments on Debt	<u>5,618</u>
 LONG-TERM DEBT PAYABLE	
AT MARCH 31, 2008	<u><u>\$ 0</u></u>

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved	
Special Revenue Funds	
Municipal Street Fund	
Street Improvements	\$ 221,784
Fire Fund	
Fire Protection	91,047
Park and Recreation Fund	
Parks and Recreation	11,818
Aquatic Weed Control Fund	
Aquatic Weed Control	<u>21,390</u>
 TOTAL FUND BALANCE RESERVES	<u><u>\$ 346,039</u></u>

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Property Tax Administration Fee**

The Township passed a resolution to charge a 1% administration fee on all ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the township board.

The Township has determined that authorized costs of tax collections will be repeatedly in excess of the revenues generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**C. Related Parties**

In the ordinary course of business, the Township has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectibility or present any other unfavorable features to the Township.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2008

	GENERAL FUND			MUNICIPAL STREET FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b><u>REVENUES</u></b>									
Taxes	\$ 41,000	\$ 41,000	\$ 60,544	\$ 78,000	\$ 78,000	\$ 77,249	\$ 36,000	\$ 36,000	\$ 40,060
Licenses and Permits	2,000	2,000	1,268	0	0	0	0	0	0
State Grants	80,000	80,000	86,590	0	0	2,892	0	0	0
Charges for Services	500	500	6,112	0	0	0	0	0	0
Interest and Rents	2,500	2,500	3,977	1,500	1,500	6,649	0	0	0
Other Revenues	500	500	2,355	0	0	0	0	0	0
Total Revenues	126,500	126,500	160,846	79,500	79,500	86,790	36,000	36,000	40,060
<b><u>EXPENDITURES</u></b>									
Legislative									
Township Board	19,600	20,144	16,116	0	0	0	0	0	0
General Government									
Supervisor	6,500	6,500	6,000	0	0	0	0	0	0
Election	9,000	8,000	7,418	0	0	0	0	0	0
Assessor	16,500	16,500	14,237	0	0	0	0	0	0
Budget Administrator	5,000	5,000	5,000	0	0	0	0	0	0
Clerk	24,000	24,000	23,231	0	0	0	0	0	0
Board of Review	4,000	2,800	454	0	0	0	0	0	0
Treasurer	22,000	22,000	18,832	0	0	0	0	0	0
Building and Grounds	8,000	7,900	7,746	0	0	0	0	0	0
Cemetery	12,000	17,985	17,827	0	0	0	0	0	0
Public Safety									
Ordinance Enforcement	11,000	12,000	3,687	0	0	0	0	0	0
Fire Department	2,600	2,600	2,496	0	0	0	42,000	42,000	30,192
Public Works									
Highways, Streets and Bridges	5,000	4,500	4,143	105,000	105,000	42,161	0	0	0
Refuse Collection and Disposal	7,000	5,000	4,480	0	0	0	0	0	0
Health and Welfare									
Hospital	379	379	379	0	0	0	0	0	0
Ambulance	0	0	0	0	0	0	0	0	0
Recreation and Cultural									
Aquatic Weed Control	0	0	0	0	0	0	0	0	0
Parks and Recreation	8,000	9,600	9,823	0	0	0	0	0	0
Other Functions									
Insurance and Bonds	6,500	6,500	6,066	0	0	0	0	0	0
Employee Benefits	5,500	5,500	4,729	0	0	0	0	0	0
Contingency	1,985	0	0	0	0	0	0	0	0
Debt Service									
Principal	8,000	5,656	5,618	0	0	0	0	0	0
Interest	0	0	35	0	0	0	0	0	0
Total Expenditures	182,564	182,564	158,317	105,000	105,000	42,161	42,000	42,000	30,192
Excess (Deficiency) of Revenues Over Expenditures	(56,064)	(56,064)	2,529	(25,500)	(25,500)	44,629	(6,000)	(6,000)	9,868
<b><u>OTHER FINANCING SOURCES (USES)</u></b>									
Transfers In	0	0	0	6,135	6,135	6,135	0	0	0
Transfers (Out)	(6,136)	(6,136)	(6,135)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(6,136)	(6,136)	(6,135)	6,135	6,135	6,135	0	0	0
Net Change in Fund Balance	(62,200)	(62,200)	(3,606)	(19,365)	(19,365)	50,764	(6,000)	(6,000)	9,868
<b><u>FUND BALANCE</u></b> - Beginning of Year	136,091	136,091	136,091	122,322	122,322	171,020	73,600	73,600	81,179
<b><u>FUND BALANCE</u></b> - End of Year	\$ 73,891	\$ 73,891	\$ 132,485	\$ 102,957	\$ 102,957	\$ 221,784	\$ 67,600	\$ 67,600	\$ 91,047



SPRINGFIELD TOWNSHIP, KALKASKA COUNTY  
FIFE LAKE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2008

	Balance 4/1/2007	Additions	Deductions	Balance 3/31/2008
<u>ASSETS</u>				
Cash	\$ 53,685	\$ 1,338,256	\$ 1,385,138	\$ 6,803
<u>LIABILITIES</u>				
Due to Other Funds	\$ 53,685	\$ 191,696	\$ 238,578	\$ 6,803
Refunds Payable to Taxpayers	0	15,488	15,488	0
Due to Other Governments	0	1,131,072	1,131,072	0
TOTAL LIABILITIES	\$ 53,685	\$ 1,338,256	\$ 1,385,138	\$ 6,803



# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

June 19, 2008

To the Township Board  
Springfield Township  
Kalkaska County  
Fife Lake, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Springfield Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

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June 19, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board  
Springfield Township  
Kalkaska County  
Fife Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township for the year ended March 31, 2008, and have issued our report thereon dated June 19, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 6, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Springfield Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 19, 2008.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Springfield Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

#### Treasurer and Clerk Reconciliation

In the course of our examination it was not apparent that the Treasurer and Clerk are reconciling their ledgers with each other. The State of Michigan's Accounting Procedures Manual requires the Treasurer and Clerk to reconcile their records to each other on a monthly basis. We recommend the Treasurer and Clerk begin a monthly process of reconciling their records.

#### Bank Reconciliations

It was not apparent that monthly bank reconciliations are being done. The State of Michigan's Accounting Procedures Manual requires the Treasurer to reconcile the books to the bank on a monthly basis. We recommend the Treasurer begin reconciling the books to the bank on a monthly basis and leave a written record of such reconciliation with the monthly bank statements.

### Tax Collection Fund Balance

A balance remained in the Tax Collection Fund at March 31, 2008, which was owed to the Township's General Fund. We recommend that the Township disburse each year all remaining funds in the Tax Collection Fund by March 31, except a small residual amount to maintain a minimum balance in order to keep the bank accounts open.

### Credit Card Policy

We noted that the Township is utilizing a Staples store credit card for purchases. State law requires that the board adopt an official policy governing use and control of a credit card. In regards to the Township's credit card, we recommend that as a method of strengthening internal control that the board review each purchase.

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BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*